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SENSITIVE
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DEPARTMENT FOR H AND WHA/CEN

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KCRM, KDEM, MCC, HO
SUBJECT: SCENESETTER FOR CODEL LEMIEUX

REF: SECSTATE 12026

¶1. (SBU) Embassy Tegucigalpa warmly welcomes the February 15-16 visit of Codel Lemieux. Your visit comes at a historic moment. President Porfirio "Pepe" Lobo assumed office on January 27, 2010 as the chief executive elected with the greatest number of votes in Honduran history. The United States maintained a consistently principled policy with regard to Honduras following the coup d'etat that took place on June 28, 2009. We joined other nations in supporting resolutions in the United Nations and the Organization of American States condemning the coup and demanding the restoration of constitutional order. We maintained a no-contact policy with the de facto regime that took power on June 28 and suspended military and non-humanitarian aid to Honduras, but avoided imposing devastating trade, investment, or financial sanctions. We were also always mindful of the complexity of the situation leading to the coup, and President Zelaya's own responsibility in precipitating the political crisis, which is the reason we supported a negotiated solution. Support for the general election held on November 29, 2009 was the complementary track of U.S. policy. We believed in the legitimacy of the election process, a democratic mechanism that had been launched well before the coup and which was carried out by an autonomous body, the Supreme Electoral Tribunal and, therefore, maintained our technical elections assistance program.

¶2. (SBU) The government of President Lobo faces formidable challenges. Many in the international community are not yet willing to recognize his government, waiting for it to demonstrate its commitment to the rule of law and human rights. President Lobo has formed a government of national unity, with representatives of all political parties in his cabinet. In his inaugural address, Lobo focused on national reconciliation and Honduras' reintegration into the community of nations. He highlighted his commitment to the three pillars of his campaign plan: creating jobs and reducing poverty, expanding the reach and quality of education and health, and ensuring security. On January 26, the congress passed a decree, which President Lobo signed as soon as he took office, granting amnesty to those who committed the political crimes of treason, crimes against the form of government, terrorism, and sedition between January 1, 2008 and January 27, 2010. The Honduran economy is in terrible shape due to both the global financial crisis and the political crisis resulting from coup. Honduras is also facing a major assault on its sovereignty from Mexican and Colombian drug cartels that use it for the trafficking of drugs to the U.S. Our challenge is to reengage with the new

government, encourage other governments to do the same, and begin to confront these problems. However, we need to reengage in a manner which reevaluates our past interaction with Honduras, working to ensure that a coup d'etat never happens again.

Political Overview

¶3. (SBU) Honduras, which has an estimated population of almost 8 million, considered itself the foremost U.S. ally in Central America. This close bilateral relationship was fractured in the aftermath of the coup d'etat that took place on June 28, 2009. This was a coup d'etat with a difference, shrouded in its advocates' claims of adherence to the Honduran constitution and body of law. The actions of President Jose Manuel "Mel" Zelaya before June 28 had polarized Honduran society and placed the institutions of governance under great stress. The Honduran elite lacked sufficient confidence in the ability of their governments' institutions to address any illegal actions that President Zelaya might have taken and resorted to a coup d'etat. Like every other country in the world, the United States did not recognize the de facto regime, led by Roberto Micheletti, which assumed power after the coup. The Department of State suspended its direct assistance to the Government of Honduras immediately following the coup and announced the termination of a broad range of assistance on September 3.

¶4. (U) Negotiators for President Jose Manuel "Mel" Zelaya

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and Micheletti signed the Tegucigalpa-San Jose Accord on October 30, 2009. Although there were difficulties related to its implementation, including President Zelaya's November 6 decision to withdraw from its terms, the Accord provided the strategic framework negotiated and signed by Hondurans on both sides for the resolution of the Honduran crisis. The Accord provided that the Congress, in consultation with the bodies that it deemed relevant, such as the Supreme Court, should issue a pronouncement in accordance with law on the reversion of the situation of the Executive Branch to its condition prior to June 28, until the end of the current governmental term on January 27, 2010. The Congress voted 111-14 on December 2 against the restitution to office of President Zelaya. The Tegucigalpa-San Jose Accord also provides for establishment of a Truth Commission.

¶5. (SBU) A general election was held on November 29, 2009, which was credible and transparent. The United States, while never abandoning its principled stance of calling for the restoration of the democratic and constitutional order, did not terminate its technical electoral assistance, despite the fact that the OAS, United Nations and the European Union suspended their electoral assistance programs. The United States believed that Hondurans should not be deprived of the right to elect their future leaders since the electoral process had begun months before the coup and was not being conducted by the de facto regime, but by the Supreme Electoral Tribunal, an autonomous body.

¶6. (U) Porfirio "Pepe" Lobo, presidential candidate of the National Party, won a decisive victory, garnering 1,213,695 votes out of a total of 2,146,012 valid votes cast, 56.56 percent of the total. There were 396,171 votes separating Lobo from Liberal Party presidential contender Elvin Santos who received 817,524 votes, 38.09 percent of the total. The other three presidential candidates each received less than two percent of the vote.

¶7. (U) The two major parties are the slightly right-of-center National Party and the slightly left-of-center Liberal Party. The three much smaller registered parties, the Christian Democratic Party, the Social Democratic Innovation and Unity Party (PINU), and the

Democratic Unification Party have never come close to winning the presidency. Lobo's National Party will hold a majority in the 128-seat one-chamber National Congress. The National Party won 71 seats, the Liberal Party won 45 seats, the Christian Democratic Party won five seats, the Democratic Unification Party won four seats, and the Social Democratic Innovation and Unity Party (PINU) won three seats. The National Party showing in the 298 mayoralty races was also strong, with victories in 191 of them. The Liberal Party was victorious in 104 with the Christian Democratic Party winning in 2 and an independent candidate the victor in a third.

¶18. (U) President Lobo's plan for his government aims to achieve sustainable development that will improve the lives of his fellow citizens. His plan is based on three pillars: creating jobs and reducing poverty, expanding the reach and quality of education, and ensuring security. Lobo's foreign policy will be focused on the return of Honduras to the international community and will emphasize the country's development. Lobo will seek to decentralize the government and improve access to quality education. Lobo intends to introduce a new health care system based on universal coverage that will include the most vulnerable members of society who are currently excluded from health services. Lobo pledges to fight crime while guaranteeing respect for the constitution and international standards regarding human rights. Lobo proposes to strengthen the capacity of the police and support measures to improve the efficiency of the judicial system. Lobo plans to adopt a policy for youth to increase their employment and educational opportunities. He also proposes to promote initiatives to keep the elderly in productive activities and promote legislation to protect emigrants.

Human Rights

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¶19. (SBU) There has been a significant deterioration in the human rights in Honduras in the wake of the rupture of the constitutional order. Reported allegations of human rights abuses since June 28 include arbitrary arrests; disproportionate use of force such as beatings and incidences that have resulted in the loss of life; an erosion in what little protection there was before June 28 for the human rights of vulnerable communities in Honduras, including women, gay and lesbian, the indigenous, and the afro-indigenous; infringements of freedom of expression by individuals and media; and threats against journalists and opponents by the de facto regime. A particularly troubling development was the de facto regime's use of decrees to severely limit fundamental civil rights, such as freedom of speech and association. The government of president-elect Lobo has pledged to respect human rights.

Economic Overview

¶10. (U) Honduras, with a per capita Gross Domestic Product (GDP) of USD 1,845 in 2008, is one of the poorest countries in the Western Hemisphere, with about 70 percent of the population living in poverty. The average adult Honduran has only a sixth-grade education. GDP grew more than 6 percent a year 2004-2007 but slowed to about 4 percent in 2008. GDP growth estimates for 2009 range from negative 2 percent to negative 4.4 percent. Inflation surpassed 10 percent in 2008, but fell to 3 percent in 2009 due to the fall in oil prices and a decline in consumption.

¶11. (U) Because of a strong commercial relationship with the U.S., Honduras has been feeling the effects of the recession, especially in the export-oriented maquila sector, where orders are estimated to be down about 40 percent and where

about 30,000 have been laid off since August 2008 out of a pre-crisis workforce of about 145,000. Commercial bank balance sheets remain healthy, but banks are being extremely conservative about lending, so businesses are credit-constrained.

¶12. (U) The Central American-Dominican Republic Free Trade Agreement (CAFTA-DR) entered into force for Honduras on April 1, 2006. Honduran imports from the U.S. have grown much faster under CAFTA-DR than Honduran exports to the U.S. Two-way trade with Honduras in 2008 was USD 8.9 billion, up 6 percent from 8.4 billion in 2007. Exports of non-traditional goods such as apparel and automobile parts now surpass traditional exports like coffee and bananas. With the economic downturn, exports were down almost 14 percent in the first half of 2009. From 2005 to 2008, the inflow of foreign direct investment to Honduras increased from USD 600 million to USD 877 million. Foreign direct investment cash inflows for 2009 are estimated to have decreased by 6.3 percent compared to 2008. According to business community representatives, new foreign investment came to a virtual halt following the coup d'etat.

¶13. (U) Roughly 200 U.S. companies operate in Honduras, and the U.S. is the largest principal investor, contributing almost 60 percent of total foreign direct investment. In addition to the political crisis, obstacles to foreign investment include public insecurity, weak judicial protections of investor rights, corruption, and most recently, the political crisis.

¶14. (U) About one-third of the Honduran workforce was considered either unemployed or underemployed in 2009. This does not include the roughly 1 million Hondurans who have migrated to the United States. Remittance inflows from Hondurans living abroad, particularly in the U.S., are the largest source of foreign, totaling USD 2.41 billion in 2009, down 11.1 percent from 2008 levels. This is equivalent to about one-fifth of Honduras' GDP. The Lobo administration will try to promote use of remittances into productive activities that will ensure the recipients a better future.

¶15. (U) The economic plan developed by President Lobo's team during his campaign covers an ambitious agenda, including small business development, energy, infrastructure,

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transportation, land-use planning, and tourism. Lobo pledges to strengthen development in micro, small, and medium-sized businesses and to cultivate public-private partnerships. Renewable energy and climate change mitigation are high priorities. The plan calls for improvements to the investment climate and the development of Honduras' potential as a tourist destination. On the macroeconomic side, it pledges improved tax collection and debt management. This ambitious agenda faces considerable obstacles, lack of financial resources foremost among them. The Lobo administration's most urgent priority will be to attempt to restart multilateral and bilateral assistance.

Bilateral Assistance

¶16. (U) The United States has historically been the largest bilateral donor to Honduras. The Department of State suspended its assistance to the Government of Honduras immediately following the coup and announced the termination of a broad range of assistance on September 3.

¶17. (SBU) In the aftermath of the June 28 coup, USAID is analyzing ways to increase the effectiveness of its efforts in the area of support for the development of democratic institutions with a particular focus on developing a sense among ordinary Hondurans that the country's institutions belong to and are accountable to them.

¶18. (SBU) USAID will continue to focus on engaging the most marginalized and poorest populations in Honduras in the country's development through programs including basic education and skills training for at-risk youth and adults, increasing food security for the poorest sectors of society, and diversifying the agricultural sector into higher value, entrepreneurial, export oriented, non-traditional crops.

MCC

¶19. (U) The Millennium Challenge Corporation (MCC) is a US foreign aid agency focused on reducing poverty through economic growth. It bases its engagement with some of the poorest countries in the world on three key pillars: competitive selection of eligible countries, country-led solutions and country-led implementation. MCC signed a five-year, USD 215 million compact with Honduras in June 2005 aimed at reducing poverty by alleviating two key impediments to economic growth in the country: low agricultural productivity and high transportation costs. Strategic investments in rural development and transportation are increasing the productivity and business skills of farmers and their employees who operate small-and medium-sized farms, and are reducing transportation costs between targeted production centers and national, regional, and global markets. The MCC program is achieving significant results and is on track to achieve its main objectives. The transportation investments are improving key portions of the country's main logistical corridor (CA-5 Highway) as well as key secondary highways. The investments in rural development are training and increasing the income of nearly 6,000 small farmers by over USD 2000 per hectare, modernizing key portions of the financial agricultural sector, and improving nearly 500 kilometers of farm to market rural roads.

¶20. (U) In September 2009, MCC's Board decided to partially terminate its Compact in Honduras, ceasing to fund a vehicle weight control activity and that portion of the farm to market rural roads activity corresponding to the construction and improvement of approximately 93 kilometers of rural roads (total termination totaled USD 10 million). In addition, MCC's Board placed a hold on approximately USD 4.5 million of MCC funding related to Section 1 of the CA-5 Highway. The decisions were based on a determination by the MCC Board that actions by the Government of Honduras were inconsistent with MCC's eligibility criteria.

Security

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¶21. (SBU) Honduras is a transit country for drug trafficking. In 2009, narcotics trafficking through Honduras increased significantly compared to 2008; this trend had begun well before the coup d'etat. There has been a marked increase in the murder rate and a number of high-profile assassinations, most recently the December 8 killing of the director of the anti-narcotics operations, which have raised concerns over the effects of trafficking groups on overall security. The country's high level of crime affects rich and poor alike and has led to a public outcry; ensuring security is a fundamental pillar of the plan of government of president-elect Lobo. While accurate crime statistics are difficult to come by, violent crime has increased dramatically since 2004. At 56.5 murders per 100,000 inhabitants, Honduras has one of the highest murder rates in the world. The rate of kidnappings more than doubled from 2007 to 2009. Corruption is ingrained throughout society and weakens citizens' confidence in government institutions.

¶22. (SBU) Honduras is a critical threat post for crime, the

highest level possible within the Department of State. Widespread poverty and unemployment, along with significant gang and narco-trafficking activities have all contributed to the incredibly high crime rate. An undermanned, poorly trained and poorly equipped police force, easily susceptible to corruption, can do little to deter criminal activity. The weak judicial system and lack of will to enforce existing laws for fear of reprisal allows criminals to act with near impunity. Kidnappings have been on the rise in recent years with large ransom demands being paid out and only a fraction of the kidnappers being caught by the Honduran police.

Military to Military Relations

¶23. (SBU) The U.S. and Honduran militaries worked together for many years until the June 28 coup when assistance was suspended and subsequently terminated on September 3. Joint Task Force Bravo, located at Enrique Soto Cano Air Base in Comayagua, is comprised of approximately 1,200 assigned personnel, of whom about 575 are military while the remainder includes both locally employed staff (LES) and civilian contractors who provide base support, communications services and helicopter maintenance. JTF-Bravo forces maintain and operate an all-weather C-5 capable airfield and provide the U.S. with an agile response capability in Central America. Recent humanitarian assistance/disaster relief operations include flood relief and medical support in El Salvador in November 2009, earthquake relief in Costa Rica in January 2009, flooding relief in Honduras, Costa Rica and Panama in November 2008, and search and rescue operations for American citizens missing off the coast of Honduras. JTF-Bravo currently has a deployed medical element in Haiti as part of Unified Response. JTF-Bravo operations were suspended after June 28. The traditionally strong relationship between the military forces of the U.S. and Honduras cannot simply be resumed with a "business as usual" approach after the restoration of constitutional order. While we will need to cooperate in key areas such as combating narcotics trafficking, we will continue to signal our strong disapproval of the military's role in the removal of President Zelaya. We will conduct a thorough review of our military programs to ensure that they advance our aim of developing a professional and non-political military in Honduras.

American Citizens

¶24. (SBU) There are an estimated 25,000 Americans resident in Honduras, of whom 15,000 are registered with the Embassy. In addition, an estimated 500,000 tourists and missionaries visit Honduras each year. The vast majority of the tourists arrive by cruise ship to the Bay Islands and spend only half a day in Honduras. Crime is the biggest threat to the security of American citizens. The Embassy's Consular Section works with the Public Ministry and police via a unit

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dedicated to crimes against foreigners to push for investigation and prosecution of crimes against Americans, while communicating with the American community via large town hall meetings, on-line web chats, and warden messages.

¶25. (SBU) In 2009, there were 180 Peace Corps Volunteers in Honduras working six types of projects including: municipal development, water and sanitation, protected area management, youth development, and health.

Schedule

¶26. (SBU) Draft schedule for CODEL LeMieux follows:

Monday, February 15

12:58 Arrival in Toncontin Airport in Tegucigalpa on
Delta flight 551
13:30 Meeting with Ambassador Hugo Llorens and
Deputy Chief of Mission Simon Henshaw
14:00 Country Team Briefing
15:00 Meeting with President Porfirio Lobo
16:30 Roundtable with Wire Services
19:30 Dinner hosted by the Ambassador
RON Marriott Hotel, Tegucigalpa

Tuesday, February 16

06:30 Luggage Pickup
07:00 Depart Hotel and proceed to MCC project
08:00 Arrival at resettlement site for persons
affected by road improvement
08:00-08:30 Visit to resettlement site
08:30 Depart resettlement site and proceed along
CA-5 Highway
08:55 Arrival at construction site on Section 2 of
CA-5 Highway
08:55-09:25 Visit/briefing at construction site
09:25 Depart construction site for Soto Cano Air
Base
10:00 Arrival at Soto Cano Air Base
10:00-11:10 JTF Bravo Mission, Advanced Operating
Base Briefings
11:10-11:30 Tour of Soto Cano Air Base and Meeting
Troops
11:30-11:55 Lunch
12:00 Depart Soto Cano Air Base by Helicopter and
proceed to Toncontin Airport
13:00 Arrival at Toncontin Airport in Tegucigalpa
14:09 Departure on COPA flight 825

LLORENS